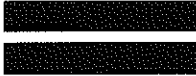


**Government of the District of Columbia**  
**Department of Insurance, Securities and Banking**



Thomas E. Hampton  
Commissioner



\_\_\_\_\_  
IN THE MATTER OF: )

District of Columbia Department of )  
Insurance, Securities and Banking )

v. )

BB-CD/SC-06-03

Chernet W. Debelie )  
d/b/a Advantage Forex )  
\_\_\_\_\_ )

**SERVE:**

Chernet W. Debelie  
d/b/a Advantage Forex, LLC  
2205 14th Street, NW, Suite 301  
Washington, DC 20009

**NOTICE TO SHOW CAUSE/NOTICE OF CHARGES AND  
TEMPORARY CEASE AND DESIST ORDER**

In accordance with the District of Columbia Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1203; D.C. Official Code § 2-501 *et seq.* (2001)), sections 16 and 21 of the Money Transmitters Act of 2000, effective July 18, 2000 (D.C. Law 13-140; D.C. Official Code §§ 26-1015 and 26-1020 (2001)) ("Money Transmitters Act"), sections 112, 113, 116, and 117 of the 21st Century Financial Modernization Act of 2000, effective June 9, 2001 (D.C. Law 13-308; D.C. Official Code §§ 26-551.12, 26-551.13, 26-551.16, and 26-551.17 (2001)) ("21st Century Financial Modernization Act"), and chapter 38 of title 26 of the District of Columbia Municipal Regulations (26 DCMR § 3800 *et seq.*), the Commissioner of the Department of Insurance, Securities and Banking is hereby issuing this Notice to Show Cause/Notice of Charges and Temporary Cease and Desist Order ("Notice and Order")

**NOTICE TO SHOW CAUSE/NOTICE OF CHARGES**

Chernet W. Debelie d/b/a Advantage Forex, LLC ("Respondent"), is hereby directed to appear before the Department of Insurance, Securities and Banking ("Department"), 810 First Street, NE, Suite 701, Washington, DC 20002, on January 24, 2007, at 10:00 a.m. at a public hearing to show cause why Respondent should not be ordered to cease and desist from engaging

in unsafe and unsound practices and from violating provisions of the Money Transmitters Act; why its Money Transmitter License, No. MTR 5025, should not be revoked; and why the Department should not impose civil penalties on Respondent of \$1,000 for each violation of the Money Transmitters Act.

Pursuant to section 116 of the 21st Century Financial Modernization Act (D.C. Official Code § 26-551.16 (2001)), the Commissioner may issue a cease and desist order against a financial institution, including a money transmitter, if the Commissioner finds that a violation of law or an unsafe or unsound practice has occurred or is reasonably likely to occur.

Pursuant to section 16 of the Money Transmitters Act (D.C. Official Code § 26-1015 (2001)), the Commissioner may suspend or revoke a licensee's license if, after notice to the licensee and a hearing, the Commissioner finds, among other reasons, that: the licensee is conducting its business in an unsafe or unsound manner; the licensee has knowingly violated a material provision of the Money Transmitters Act; or the licensee's net worth had become inadequate and the licensee, after 10 days written notice from the Commissioner, had failed to take such steps as the Commissioner deems necessary to remedy the deficiency.

Pursuant to section 22 of the Money Transmitters Act (D.C. Official Code § 26-1021 (2001)), any person who violates any provision of the Money Transmitters Act shall be liable for a penalty of not more than \$1,000 for each violation.

The Department has sufficient evidence, which, if not refuted by Respondent, would justify the issuance of a cease and desist order against Respondent; the revocation of Respondent's Money Transmitter license; and imposition of a civil penalty of up to \$1,000 for each violation of the Money Transmitters Act.

The charges against Respondent are set forth below.

#### Charges

##### *Charge I. Respondent has knowingly violated material provisions of the Money Transmitters Act*

1. Respondent violated section 5(a) of the Money Transmitters Act (D.C. Official Code § 26-1014(a) (2001)) by failing to maintain a net worth of at least \$100,000 for fiscal year 2004 and the first quarter of 2005. Section 5(a) of the Act mandates that "[e]ach licensee . . . shall at all times have a net worth of not less than \$100,000." During an examination performed by the Department (described more fully in Charge II), the Department determined that the Respondent maintained \$78,000 in net worth as of year end 2004, and \$92,000 in net worth as of March 31, 2005.
2. Respondent violated section 12(2) of the Money Transmitters Act (D.C. Official Code § 26-1011(2) (2001)) by failing to notify the Department that its business registration was revoked by the Department of Consumer and Regulatory Affairs in 2005. Section 12(2) of the Money Transmitters Act requires a licensee to file a written report with the Department if revocation or suspension proceedings are brought against the licensee by any state or governmental authority with regard to the licensee's money transmission activities. According to information obtained by the Department, Respondent's corporate

business registration in the District of Columbia was revoked by the Department of Consumer and Regulatory Affairs in 2005. Respondent did not notify the Department of the revocation.

3. Respondent violated section 5(b) of the Money Transmitters Act (D.C. Official Code § 26-1004(b) (2001)) by failing to maintain its corporate good standing. Section 5(b) of the Money Transmitters Act states that every licensee “at all times after a license is issued, shall be in good standing in the state of its incorporation.” According to information obtained by the Department, Respondent’s corporate business registration in the District of Columbia (its state of incorporation) was revoked by the Department of Consumer and Regulatory Affairs in 2005.
4. Respondent violated section 14 of the Money Transmitters Act (D.C. Official Code § 26-1013 (2001)) by failing to pay the expenses of an examination performed by the Department. Section 14 of the Money Transmitters Act authorizes the Commissioner to perform an on-site examination of a licensee and requires that the licensee pay all reasonably incurred costs of the examination. On July 1, 2005, the Department performed an on-site examination of Respondent. On February 28, 2006, the Department issued to Respondent an invoice for the examination in the amount of \$1,450 00. As of December 18, 2006, Respondent has failed to pay any of the invoiced amount.
5. Respondent violated section 15(a)(8) of the Money Transmitters Act (D.C. Official Code § 26-1014(a)(8) (2001)) by failing to make, keep, and preserve an effective anti-money laundering program. Section 15(a)(8) of the Money Transmitters Act requires Respondent to make, keep, and preserve records it is required to maintain under part 103 of title 31 of the Code of Federal Regulations. Section 103.125 of title 31 of the Code of Federal Regulations mandates that a money transmitter “develop, implement, and maintain an effective anti-money laundering program” that shall be in writing and shall “[i]ncorporate policies, procedures, and internal controls reasonably designed to assure compliance with” part 103 of the Code of Federal Regulations. During the Department’s examination of Respondent (described more fully in Charge II), the Department found that Respondent failed to make, keep, and preserve an adequate anti-money laundering program.
6. Respondent violated section 15(a)(5) of the Money Transmitters Act (D.C. Official Code § 26-1014(a)(5) (2001)) by failing to make, keep, and preserve records of outstanding payment instruments for a period of three years. Section 15(a)(5) of the Money Transmitters Act requires a licensee to maintain records of outstanding payment instruments for a period of three years. During the Department’s examination of Respondent (described more fully in Charge II), Respondent failed to provide to the examiner an outstanding payment instrument log.

*Charge II. Respondent is conducting its business in an unsafe and unsound manner*

7. On July 1, 2005, the Department performed an on-site examination of Respondent pursuant to section 14 of the Act (D.C. Official Code § 26-1013 (2001))
8. On February 28, 2006, the Department mailed to Respondent a report of examination.

9. The examination report concluded that Respondent's "financial reporting practices are poor and in need of improvement."
10. The examination report stated that, during the examination, Respondent and Respondent's accountant "acknowledged that there were book keeping and record keeping deficiencies "
11. The examination found that Respondent's financial statements "are missing several required items based on the nature of [Respondent's] operations, including accounting books and records for salaries, commissions to agents, and general operating expenses."
12. The examination found that, due to the deficiencies in Respondent's financial reporting practices, "it is difficult to determine if [Respondent] is in compliance with net worth and permissible investments requirements" of the Money Transmitters Act.
13. The examination found that Respondent maintained no written operational procedures.
14. The examination found that Respondent's reconciliation procedures were inadequate.
15. The examination found that Respondent did not appear to maintain an outstanding payment instrument log, a violation of section 15(a)(5) of the Money Transmitters Act (D.C. Official Code § 1014(a)(5)).
16. The examination found that Respondent neither displayed a privacy policy nor provided such a policy to customers, in violation of 16 C.F.R. § 313.4(a).<sup>1</sup>
17. The examination found that Respondent failed to develop an adequate written anti-money laundering program as required under the federal Bank Secrecy Act. *See* 31 U.S.C. § 5318(h); 31 C.F.R. § 103.125.
18. The examination found that at least ten (10) suspicious activity reports were incompletely filled out.
19. In its February 28, 2006, transmittal to Respondent of the examination report, the Department requested that Respondent advise the Department "of any corrective action taken or anticipated relative to any violations noted or recommendations made by sending your response to" the Department representative within 30 days. As of December 18, 2006, the Department has received no correspondence, either written or oral, from Respondent on the issues raised in the examination report.
20. Respondent's Money Transmitter license expired on June 18, 2006. However, Respondent did not file an application for renewal of the license with the Department until July 21, 2006.
21. Respondent's application for renewal of its Money Transmitter license contained a number of deficiencies, including: failure to include the required tax registration

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<sup>1</sup> The examination report inadvertently referred to 12 C.F.R. § 216.4, a provision parallel to 16 C.F.R. § 313.4 that applies to a separate subset of financial institutions.

certificate from the Office of Tax and Revenue; failure to respond to questions 7 and 8 of section 2 of the renewal application; and failure to execute page 6 of the personal financial report and biographical information form.

*CHARGE III Respondent's net worth was and/or is inadequate and Respondent, after 10 days written notice from the Commissioner, failed to take adequate steps to remedy the deficiency*

22. During the examination performed by the Department (described more fully in Charge II), the Department determined that Respondent maintained \$78,000 in net worth as of year end 2004, and \$92,000 in net worth as of March 31, 2005.
23. Section 5(a) of the Money Transmitters Act (D.C. Official Code § 26-1014(a) (2001)) mandates that "[e]ach licensee shall at all times have a net worth of not less than \$100,000."
24. On February 26, 2006, the Department transmitted to Respondent the Department's examination report in which the Department informed Respondent that its net worth did not meet the requirements of the Money Transmitters Act.
25. As of December 18, 2006, the Respondent has provided no information to the Department indicating that it has increased its net worth to a level that meets the statutory minimum.

#### Grounds for Final Cease and Desist Order

26. The facts set forth in paragraphs 9 through 21 establish that Respondent is conducting its business in an unsafe and unsound manner and the Commissioner therefore, may order the Respondent to cease and desist under sections 112, 113, and 116 of the 21st Century Financial Modernization Act (D.C. Official Code §§ 26-551.12, 26-551.13, and 26-551.16 (2001)).
27. The facts set forth in paragraphs 1 through 6 establish that Respondent is engaging in violations of law and the Commissioner therefore, may order the Respondent to cease and desist under sections 112, 113, and 116 of the 21st Century Financial Modernization Act (D.C. Official Code §§ 26-551.12, 26-551.13, and 26-551.16 (2001)).

#### Grounds for Revocation of License

28. The facts set forth in paragraphs 7 through 21 establish that Respondent is conducting its business in an unsafe and unsound manner and the Commissioner therefore, may revoke the Respondent's license under section 16(4) of the Money Transmitters Act (D.C. Official Code § 26-1015(4) (2001)).
29. Each violation of the Money Transmitters Act described in paragraphs 1 through 6 separately constitutes a knowing violation of the Money Transmitters Act for which the Commissioner may revoke the Respondent's license under section 16(3) of the Money Transmitters Act (D.C. Official Code § 26-1015(3) (2001)).

30. Respondent's failure to remedy its inadequate net worth within ten days of receiving notice that its net worth was inadequate under the Money Transmitters Act, as described in paragraphs 22 through 25, constitutes grounds under which the Commissioner may revoke the Respondent's license under section 16(2) of the Money Transmitters Act (D.C. Official Code § 26-1015(2) (2001)).

#### Grounds for Imposition of Civil Penalty

31. Based on the violations of the provisions of the Money Transmitters Act described in paragraphs 1 through 6, the Commissioner may impose a penalty on the Respondent of up to \$1,000 for each violation, under section 22(a) of the Money Transmitters Act (D.C. Official Code § 26-1021(a) (2001)).

### **TEMPORARY CEASE AND DESIST ORDER**

In accordance with section 117 of the 21st Century Financial Modernization Act (D.C. Official Code § 26-551.17 (2001)), Respondent is hereby ordered to cease and desist immediately from engaging in any activity related to money transmission, as defined in section 2(10) of the Money Transmitters Act (D.C. Official Code § 26-1001(10) (2001)), in the District of Columbia

Under section 117 of the 21st Century Financial Modernization Act (D.C. Official Code § 26-551.17 (2001)), the Commissioner may issue a temporary cease and desist order against a financial institution, including a money transmitter, if the Commissioner determines that a violation of law by the financial institution or an unsafe or unsound practice engaged in by the financial institution is likely to cause either serious prejudice to the interests of depositors, investors, or the general public or an inability to determine, because of incomplete or inaccurate records, the financial condition of the financial institution.

Based on the facts set forth in paragraphs 1, 3, 5, and 6, the Commissioner has determined that Respondent is engaging in violations of the Act that prejudice the interests of the customers of Respondent and the general public and the violations therefore, constitute a basis for the Commissioner to issue a temporary cease and desist order under section 117 of the 21st Century Financial Modernization Act (D.C. Official Code § 26-551.17 (2001)).

Based on the facts set forth in paragraphs 7 through 21, the Commissioner has determined that Respondent is engaging in unsafe and unsound practices that prejudice the interests of the customers of Respondent and the general public and the practices therefore, constitute a basis for the Commissioner to issue a temporary cease and desist order under section 117 of the 21st Century Financial Modernization Act (D.C. Official Code § 26-551.17 (2001))

Based on the facts set forth in paragraphs 7 through 21, the Commissioner has determined that Respondent is engaging in unsafe and unsound practices that create an inability to determine, because of incomplete or inaccurate records, the financial condition of Respondent and therefore, constitute a basis for the Commissioner to issue a temporary cease and desist order under section 117 of the 21st Century Financial Modernization Act (D.C. Official Code § 26-551.17 (2001))

Because of the number of violations of law and the breadth of the unsafe and unsound practices, and the broad negative impact these violations and unsafe and unsound practices have on the interests of customers and the general public and the Department's ability to determine the financial condition of Respondent, the Commissioner hereby orders Respondent to cease and desist immediately from engaging in any activity related to money transmission, as defined in section 2(10) of the Money Transmitters Act (D.C. Official Code § 26-1001(10) (2001)), in the District of Columbia.

Pursuant to section 117(e) of the 21st Century Financial Modernization Act (D.C. Official Code § 26-551.17(e) (2001)), this Temporary Cease and Desist Order shall remain in effect until:

1. Set aside, limited, or suspended by a court;
2. The completion of the investigatory proceeding initiated by the notice of charges, if the Commissioner dismisses the notice of charges;
3. An order by the Commissioner revoking the temporary cease and desist order; or
4. The issuance of a final cease and desist order.

#### ANSWER

Respondent shall file with the Commissioner a written answer to this Notice and Order by 5:00 p.m. on Wednesday, January 10, 2007. Respondent's answer shall admit or deny each factual allegation in this Notice and Order and shall set forth affirmative defenses, if any. If Respondent does not have knowledge or information sufficient to form a belief as to the truth of an allegation, Respondent shall so state and such a statement shall be treated as a denial of the allegation.

#### HEARING

The January 24, 2007, public hearing in this matter will be conducted by the Commissioner of the Department of Insurance, Securities and Banking and governed in accordance with the District of Columbia Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1203; D.C. Official Code § 2-501 *et seq.* (2001)), sections 16 and 21 of the Money Transmitters Act (D.C. Official Code §§ 26-1015 and 26-1020 (2001)), section 113 of the 21st Century Financial Modernization Act (D.C. Official Code § 26-551.13 (2001)), and chapter 38 of title 26 of the District of Columbia Municipal Regulations (26 DCMR § 3800 *et seq.*). The Commissioner shall have authority to administer oaths to witnesses. Anyone testifying falsely after having been administered such an oath shall be subject to the penalties of perjury. Oral or documentary evidence may be received at the hearing. However, the Commissioner shall exclude irrelevant, immaterial, and unduly repetitious evidence. Every party shall have the right to present in person or by counsel his or her case or defense by oral and documentary evidence, to submit rebuttal evidence, and to conduct such cross-examination as may be required for full and true disclosure of the facts.

By 5:00 p.m. on Wednesday, January 10, 2007, Respondent shall file with the Commissioner a written letter ("Hearing Response Letter") stating either that: (1) Respondent will appear at the hearing at the date and time set forth in this Notice and Order; (2) Respondent waives Respondent's right to a hearing; or (3) Respondent requests that the date and/or time of the hearing be rescheduled, in which case Respondent shall request a specific date and time for a

rescheduled hearing and the requested date and time shall be no later than 10:00 a.m. on January 31, 2007. If the Commissioner does not receive a Hearing Response Letter from Respondent, the hearing will be held at 10:00 a.m. on January 24, 2007, as set forth in this Notice and Order.

No motion for a continuance will be granted unless good cause is shown in writing to the Commissioner and the motion is made at least five days prior to the hearing date.

Correspondence directed to the Commissioner should be addressed to: Ms. Leslie Johnson, Department of Insurance, Securities and Banking, 810 First Street, NE, Suite 701, Washington, DC 20002. Ms. Johnson's telephone number is (202) 442-7756, and her office hours are 8:00 a.m. to 4:00 p.m.

A copy of any correspondence to the Commissioner, including the answer, the Hearing Response Letter, and any motion should also be sent to Mr. Stephen Taylor at the Department's Office of Legal Affairs, 810 First Street, Suite 701, NE, Washington, DC 20002.

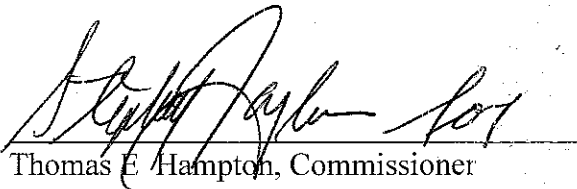
If Respondent, a corporate officer, or a witness to be called is deaf or because of a hearing impediment cannot readily understand or communicate the spoken English language, Respondent, the corporate officer, or the witness may apply to the Department for the appointment of a qualified interpreter. In addition, if Respondent, a corporate officer, or a witness to be called requires any other special accommodations, please contact Ms. Johnson at least five (5) business days prior to the hearing.

A failure by Respondent to appear at the time and place set for the hearing pursuant to this Notice and Order either in person or through counsel, or both, may result in the entry of a default order concerning the issues set forth in this Notice and Order.

**SO ORDERED.**

WITNESS MY HAND AND THE OFFICIAL SEAL of the District of Columbia Department of Insurance, Securities and Banking, this 20<sup>th</sup> day of December, 2006.

Government of the District of Columbia  
Department of Insurance, Securities and Banking



Thomas E. Hampton, Commissioner



**CERTIFICATE OF SERVICE**

I, Michelle Mathis, hereby certify that the foregoing Notice to Show Cause/Notice of Charges and Temporary Cease and Desist Order was sent by

☒ Certified mail    ☐ Registered Mail    ☐ Fax    ☐ Hand Delivery

on December 20, 2006, to Chernet W. Debelie, d/b/a Advantage Forex, LLC, 2205 14th Street, NW, Suite 301, Washington, DC 20009.

Michelle Mathis  
Signature

12-20-06  
Date